

Message Text

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PAGE 01 STATE 013697
ORIGIN EB-08

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FM SECSTATE WASHDC
TO AMEMBASSY MADRID PRIORITY

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E.O. 11652: N/A

TAGS:EAIR, SP

SUBJECT:CIVAIR: TWA LIBERALIZED APEX FARE

REF: (A) MADRID 00290; (B) MADRID 10413 OF 12/22/77;
(C) STATE 002419; (D) STATE 300521 OF 12/16/77

1. DEPARTMENT IS MINDFUL OF PROVISIONS OF ARTICLE 10 OF THE BILATERAL WHICH PROVIDE FOR CONSULTATIONS ON FARES DISPUTES, AND DOES NOT WISH TO CONVEY IMPRESSION THAT IT IS OPPOSED TO PRINCIPLE OF CONSULTATIONS OR THAT IT IS RELUCTANT TO MEET WITH SPANISH. HOWEVER, DEPARTMENT IS DOUBTFUL AS TO THE VALUE OF CONSULTATIONS AT THIS POINT, INSOFAR AS THEY WOULD RELATE SPECIFICALLY TO THE TWA FARE.

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2. REASON FOR THIS ASSESSMENT OF POTENTIAL VALUE OF CONSULTATIONS IS THAT USG POSITION AS OUTLINED PARA 2, REF D, SIMPLY IS NOT A NEGOTIABLE POSITION. POLICY OF FOSTERING COMPETITION THROUGH WIDER RANGE OF COMPETITIVE, LOW FARE OFFERINGS IS ONE WHICH HAS BEEN ESTABLISHED BY PRESIDENTIAL DIRECTIVE. USG HAS ALREADY APPROVED IBERIA LOW FARE OFFERINGS. NON-AFFINITY/INCENTIVE GROUP TRAVEL

FARE IS A FARE WHICH IBERIA HAS TRIED TO HAVE ACCEPTED BY
USG FOR SOM: TIME, AND WHICH HAS NOW BEEN ACCEPTED WITHOUT

FIRST HAVING NEGOTIATIONS, AS IN THE PAST. NOW THAT THESE
IBERIA FARES ARE IN EFFECT, SPAIN CANNOT JUST CLOSE THE
DOOR ON U.S. AIRLINES WHICH ATTEMPT TO OFFER COMPETITIVE
RESPONSES TO THE IBERIA FARES, OR EXPECT THAT WE WOULD BE
WILLING, AS IN THE PAST, TO NEGOTIATE COMPROMISE PRICE
LEVELS. CAB HAS EVALUATED TWA FARE AND HAS APPROVED IT.
IF GOS WILL NOT ACCEPT THE TWA FARE AS FILED, USG WILL HAVE
TO RECONSIDER ITS ACCEPTANCE OF IBERIA'S NON-AFFINITY/
INCENTIVE GROUP TRAVEL FARE.

3. IN THIS CONTEXT, DEPARTMENT FORESEES LITTLE THAT COULD
BE ACCOMPLISHED BY CONSULTATIONS AT THIS POINT. HOWEVER,
DEPARTMENT FEELS THERE MAY BE WAY AROUND CURRENT IMPASSE.
USG REQUIRED AD HOC AGREEMENT WITH GOS TO ALLOW IBERIA
NON-AFFINITY/INCENTIVE GROUP FARES TO COME INTO EFFECT ON
EXPERIMENTAL BASIS. WE WOULD BE PREPARED IN LIKE FASHION,
TO CONCLUDE A SIMILAR AD HOC AGREEMENT WITH GOS TO ALLOW
THE TWA FARE IN QUESTION TO COME INTO EFFECT ON AN
EXPERIMENTAL BASIS. SUCH AN AGREEMENT WOULD GIVE
SPANISH SUSPENSION RIGHTS RE TWA FARE IDENTICAL TO THOSE
CURRENTLY HELD BY USG ON IBERIA NON-AFFINITY/INCENTIVE
GROUP TRAVEL FARE, AND WOULD CREATE TRULY RECIPROCAL
SITUATION REGARDING IBERIA AND TWA FARES.
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4. ACTION REQUESTED: EMBASSY REQUESTED TO INFORM
YNIGUEZ AND MINISTRY OF FOREIGN AFFAIRS OF USG VIEWS
RE CONSULTATIONS. ALSO, PASS DEPARTMENT COMMENTS
PARA 3 FOREGOING CONCERNING USG WILLINGNESS TO SIGN AD
HOC AGREEMENT ON TWA FARES, AND REPORT GOS RESPONSE
SOONEST. CHRISTOPHER

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Message Attributes

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